

Construction/Renovation Summary

Option A: Both STH and TCID are renovated and maintained.

(Recommended by Kennedy)	STH	\$18.6 million
(Selected renovations)	TCID	<u>\$10.5 million</u>
Or, replace with new facilities		\$29.1 million

Or, replace with new facilities \$46.7 million

Option B: Renovate both STH and TCID. Retain only TB services at STH - eliminate medical and surgical services.

(Selected renovations)	STH	\$10.5 million
(Selected renovations)	TCID	<u>\$10.5 million</u> \$21.0 million

Option C: Retain STH with current services, close TCID. STH receives TB caseload from TCID.

(Recommended by Kennedy)	STH	\$18.6 million
or (replace with new facility)		\$26.0 million

Option D: Retain STH with TB services only. Close TCID.

(Selected renovations)	STH	\$10.5 million
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Option E: Retain TCID with TB services only. Close STH.

(Selected renovations)	TCID	\$10.5 million
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Assumptions for Cost Projections:

- Hospitals will maintain current TB admission rates as a percentage of total TB cases in Texas.
- Outpatient visits are projected at 1997 levels.
- Average length of stay is projected to increase at 1/2% per year due to growth in MDRTB cases.
- The 1997 ratio of fixed and variable costs to total costs will remain consistent.

- Inflation is projected at 5 percent per year. (Note: Approximately fifty percent of operating costs is for salaries. Future salary increases will depend on legislative action.)
- Relative source of funding is projected in proportion to 1997 actual amounts and adjusted for any changes in service mix.
- Actual historical DISPRO funding levels were provided by TDH staff. Future DISPRO levels are projected based on historical DISPRO payments as a percentage of total payments to the State. The actual DISPRO amount received in future years by this facility will depend on patient volumes for Medicaid patients and for patients without insurance.
- Any impact on these facilities due to a reduction in services or due to the other TDH hospital closing, is expected to be phased in over a transitional period with the full impact not reflected in the above projections until 2001.

Option A STH Cost Projections (Millions) 1998 - 2017										
	Actual 1997 See Note Below	Projected 1998 See Note Below	1999	2000	2001	2002	5 Yr. Period 2003 - 2007	5 Yr. Period 2008 - 2012	5 Yr. Period 2013 - 2017	
Operating Cost Summary										
Inpatient		\$ 9.46	\$ 9.79	\$ 10.24	\$ 10.71	\$ 61.58	\$ 77.83	\$ 98.89		
Outpatient		3.78	3.97	4.17	4.38	25.40	32.42	41.38		
Other		1.21	1.27	1.34	1.40	8.14	10.38	13.25		
Total Operating Cost	\$ 14.46	\$ 13.08	\$ 14.46	\$ 15.03	\$ 15.74	\$ 16.49	\$ 95.12	\$ 120.63	\$ 153.52	
Method of Finance										
TDH Hospitals Strategy										
G/R Rev. Appropriation	\$ 6.92	\$ 7.90	\$ 7.90	\$ 7.90	\$ 7.90	\$ 7.90	\$ 39.50	\$ 39.50	\$ 39.50	
G/R Rev. Trans. BOH Approved	2.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Federal Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Fees and Receipts	2.14	2.63	2.63	2.63	2.63	2.63	13.15	13.15	13.15	
Prevent. Disease Strategy	0.28	0.29	0.29	0.29	0.29	0.29	1.45	1.45	1.45	
M&CH Strategy	0.81	0.84	0.84	0.84	0.84	0.84	4.20	4.20	4.20	
Employee Benefits										
G/R (Appropriated to ERS)	0.95	0.96	0.96	0.96	0.96	0.96	4.78	4.78	4.78	
Fees and Receipts	0.46	0.46	0.46	0.46	0.46	0.46	2.30	2.30	2.30	
Federal Funds										
Total Method of Finance	\$ 14.46	\$ 13.08	\$ 13.08	\$ 13.08	\$ 13.08	\$ 13.08	\$ 65.38	\$ 65.38	\$ 65.38	
Funding Shortfall	\$ -	\$ -	\$ 1.38	\$ 1.96	\$ 2.67	\$ 3.42	\$ 29.74	\$ 55.25	\$ 88.14	
Dispro										
State	\$ 3.26	\$ 3.48	\$ 3.37	\$ 2.86	\$ 2.70	\$ 2.70	\$ 13.49	\$ 13.49	\$ 13.49	
Federal	5.54	5.92	5.74	4.87	4.59	4.59	22.96	22.96	22.96	
Total Dispro	\$ 8.80	\$ 9.40	\$ 9.11	\$ 7.72	\$ 7.29	\$ 7.29	\$ 36.45	\$ 36.45	\$ 36.45	
Capital Costs										
Option 1										
Total Renovation (Kennedy Report)			\$ 18.60							
Annual Debt Service*				\$ 1.77	\$ 1.77	\$ 1.77	\$ 8.83	\$ 8.83	\$ 3.53	
Option 2										
New Hospital			\$ 26.00							
Annual Debt Service*				\$ 2.47	\$ 2.47	\$ 2.47	\$ 12.34	\$ 12.34	\$ 4.94	

* Annual Debt Service is at 5 percent amortized over 15 years.

NOTE: 1997 and 1998 amounts reflect actual and projected expenditures by source of funding on a cash basis. Some expenditures reported in 1997, benefited the 1998 period. For 1999 and later years, operating costs are projected on an accrual basis and reflect estimates of actual costs to be incurred to provide services based on the projection assumptions listed below. Funding projections for future years are shown above at the 1999 level.

Option D

STH Cost Projections with TCID Admissions - TB Only (Millions)

1998 - 2017

Option E

TCID Cost Projections with STH TB Admissions (Millions)

1998 - 2017

